

# THE WATCHDOG

A Periodic Newsletter from  
The Office of the United States Trustee - Region 16

April 24, 2001  
Issue No. 6

**This quarter**, our newsletter expands a little to include news about areas other than fraud and abuse. We'd like you to know a little bit about our panel trustees and the scope of some of the activities we supervise, such as Chapter 13. While we must continue our efforts to fight fraud, I suspect that the best way to reduce bankruptcy fraud is to continually improve our existing systems with respect to the vast majority of cases where there is no fraud or abuse. We are constantly trying to find ways to disseminate correct information out to all parties, to have our panel trustees perform effective and thorough reviews on every case, and to better identify those cases where there is something wrong. While this newsletter should inform readers of the civil and criminal actions brought recently to fight fraud and abuse, I hope this effort is also a good start in providing a broader perspective on the operation of the bankruptcy "watchdog" in this district.

Maureen A. Tighe  
United States Trustee

## CONVICTIONS

**Alma Leticia Huerta**, 32, from Whittier, pled guilty on March 28<sup>th</sup> to use of a false social security number in bankruptcy documents. Jon Cederberg and Sandy Klein worked the USAO side and FBI Special Agent Douglas Haigh performed the investigation.



**Jorge Oswaldo Obregon, Jr.** pled guilty to use of a false social security number in a bankruptcy proceeding on March 12, 2001. Obregon, 36, is from Hacienda Heights. Robert Borthwick and Sandy Klein were the AUSA's in this case and Carl Winner the FBI Special Agent.

On March 2, 2001, the 9<sup>th</sup> Circuit Court affirmed the conviction of **Faramarz Taghilou**. This debtor had failed to disclose a plane, valued at \$120,000. AUSAs Angela Davis and David Seide handled this argument.

## Sentencings

**Kenneth Brady**, 42 of Upland, received four-years probation and 300 hours of community service for indicating a false social security number and making a false statement in a bankruptcy. Judge Robert J. Timlin presided.

After pleading guilty to making a false statement in bankruptcy documents, Judge Margaret M. Morrow sentenced **Shafik Hirji** to three-years probation and a \$1,000 fine on April 2, 2001 for failing to disclose a bank account in his bankruptcy.

Judge Robert M. Takasugi sentenced **Lewis Norman Gordon**, to two-years probation and a \$2,000 fine on February 12, 2001. Gordon, 40, from Long Beach, falsely represented his social security number on a bankruptcy petition.

**George William Hall**, 43 of Fontana, received a sentence of six-months probation, 125 hours of

community service, and a \$300 fine on March 27, 2001. He removed the Notice of Dismissal from his U.S. Bankruptcy Court file and replaced it with a forged Notice of Discharge. Magistrate Judge Brian Q. Robbins presided.

Judge Christina A. Snyder sentenced **Sheila Howard** to 3-years probation and 100 hours of community service on January 29<sup>th</sup>. Howard had pled guilty to filing bankruptcy using a false social security number and false name.

On January 22, 2001, **Nilos Limcaoco Santos**, 52, of Palm Springs, was sentenced to nine-days imprisonment, two-years probation, and a \$2,000 fine. He falsely stated he had put \$200,000 as a down payment on a condominium, in order to be consistent with a loan application. Judge Alicemarie H. Stotler presided.

Judge Dean D. Pregerson sentenced **Timothy Sowa**, aged 45, to three-years probation on January 5, 2001. Sowa, who resides in Riverside, had used the social security numbers of his children in two separate bankruptcy filings. Judge Dean D. Pregerson presided.

## **INDICTMENTS/INFORMATIONS**

⇒ On April 2, 2001, an information was filed against **Terry Lee Carr, a.k.a. Terry Collier**, for false declaration. Carr had moved into vacant property, without the consent or knowledge of the legal owners, and after a foreclosure proceeding.

⇒ In previous issues, "The Watchdog" described the activities of **Sergio Romero**. Mr. Romero, a licensed real estate salesperson, purchased as many as twenty properties in the names of his non-English speaking tenants and employees and filed bankruptcies using straw owners in order to stay foreclosure proceedings. In some of these cases, the straw owners did not know what they were signing or that the bankruptcies had been filed in their names. Mr. Romero's scheme was discovered by the Santa Ana Office of the U.S.

Trustee and standing chapter 13 trustee Amrane Cohen.

Following the civil settlement, the U.S. Attorney filed an Information against Sergio Romero on March 29, 2001. He is charged with three counts of using a false name in bankruptcy. In addition, Mr. Romero offered to pay \$7,000 to one individual for signing a document falsely stating that she had signed the bankruptcy petition, for which he is charged with bribery under 18 U.S.C. § 152(6). SAUSA Sandy Klein and FBI Special Agent Donald Hutchinson worked this criminal case.

On the civil side, Mr. Romero and a cohort were enjoined and sanctioned in the amount of approximately \$15,000 on July 11, 2000 in a proceeding initiated by the U.S. Trustee. From these monies, the U.S. Trustee established a fund to provide legal assistance to victims. During negotiations with Mr. Romero's attorney, the OUST learned that two of the properties had been sold postpetition for a profit of \$50,641.82 and the proceeds were in the possession of Mr. Romero and his wife. The U.S. Attorney's Office, Forfeiture Unit, filed a motion to seize these proceeds as fruits of criminal conduct. The U.S. District Court issued a seizure warrant for these monies which the U.S. Marshals Service executed on March 7, 2001.

⇒ On December 21, 2000, the grand jury returned an indictment against **Larry Lee Reed**, 67, of Encino. Reed was charged with concealing assets, including a bank account, and making a false statement as to an insurance claim. Judge Robert M. Takasugi has scheduled the case for trial in June 2001. In order to remain in the property, Carr filed a bankruptcy Petition under the name of Cathy Scanlan, one of the former owners. This owner never signed the Petition or was aware of the bankruptcy filing. AUSA Linda Aouate and Special Agent FBI Tom Reitz handled this matter.

## **Chapter 13 Facts and Figures**

**Did you know?....**

- There are five chapter 13 standing trustees in the district.
- They employ over 100 people at a cost of \$7 million.
- They handled over \$107 million in receipts during FY 2000.
- They disbursed \$88 million to creditors, including \$44 million to secured creditors, \$17 million to priority creditors, \$19.3 million to unsecured creditors, and \$7.7 million to debtors' counsel during FY 2000.
- There were 17,245 active cases at the end of this same period.
- Each trust operation is audited annually by an independent public accountant.

## **SUBSTANTIAL ABUSE FILINGS**

### **Los Angeles**

→ In the bankruptcy case of **Eunice Vela Lagronio**, Judge Lax granted the U.S. Trustee's motion to dismiss the debtor's case under 11 U.S.C. § 707(b). The debtor had surplus income of almost \$1,000 per month, after expenses, which enabled her to pay her unsecured creditors in full within ten months. The Court dismissed the case, notwithstanding a late amendment to the debtor's schedules.

→ In the bankruptcy case of **Sir Hernon Zavaleta and Irene V. Zavaleta**, Judge Greenwald granted the U.S. Trustee's motion to dismiss the debtors' case under 11 U.S.C. § 707(b). The debtors had surplus income of only \$431 per month, after expenses, which enabled them to pay 95% of their unsecured claims over thirty-six months.

### **Riverside**

→ **Richard & Robin Grassman** filed a chapter 7 case and indicated net disposable income of \$569 per month after expenses. The debtors disclosed,

in an amended Statement of Financial Affairs, that they had received proceeds of \$22,000 in cash on a promissory note sold just prior to filing bankruptcy. Their combined monthly income and cash would pay 94% of the scheduled debt. The U.S. Trustee filed a motion to dismiss for substantial abuse and the court dismissed the case on April 10, 2001.

→ **Kevin and Honora Perry** filed their third bankruptcy case on November 28, 2000. The first two were filed in San Diego although their residence remained in Riverside County. The debtors were employed for several years at well-paying jobs and were taking home \$6,800 a month at the time of the bankruptcy filing. Including contributions to retirement plans, their disposable monthly income totaled \$1,623 after expenses. The debtors intended to surrender their home and three vehicles and allocated \$700 per month for new cars. As they could pay almost all their debts under various scenarios, and since they presented inconsistent financial disclosures, the court dismissed this case under U.S.C. § 707(b).

→ The U.S. Trustee moved to dismiss the bankruptcy case of **Sidney and Christine Michaels** under 11 U.S.C. § 707(b). The debtors had admitted to disposable income of more than \$600 per month, and, with the adjustment of certain expenses, this income increased to nearly \$1,200 per month. The debtors could pay 70% of their debts within five years. After the debtors failed to demonstrate that they would no longer have overtime available, which they claimed was the basis for the disposable income, the Court allowed the debtors to convert to a chapter 13 bankruptcy.

### **Santa Ana**

→ Judge Robert W. Alberts revoked **Hector B. Garcia's** discharge. Garcia used the Social Security number of another person in his bankruptcy filing.

→ In the case of **Francisco Hernandez**, Judge Lynne Riddle denied Hernandez's discharge after trial. The debtor used the Social Security number of another person in his filing.

→ Yet another debtor apparently used a false Social Security number in his filing. Judge Lynne Riddle denied **Abel Herndon's** discharge.

#### **Santa Barbara**

→ The debtor, **John Patrick Fiddes**, had accumulated \$158,112.81 in credit card debt and had net disposable income of \$1,193 after expenses. The U.S. Trustee filed a Motion to Dismiss under § 707(b) and Judge Riblet dismissed the case for substantial abuse.

→ Judge Mund dismissed a chapter 7 case on the U.S. Trustee's 11 U.S.C. § 707(b) Motion to Dismiss for substantial abuse because the debtors, **Yoel and Filipina Bitton**, who earn in excess of \$106,000 per year, had the ability to fund a Chapter 13 plan from their net disposable income of \$1,269 per month after expenses. The debtors had sufficient income to pay back \$43,000, or 36%, to their unsecured creditors within three years.

→ **Ron and Rosario Gayda**, debtors, filed schedules showing \$925 per month in net disposable income after expenses. The U.S. Trustee argued, in a Motion to Dismiss or Convert under § 707(b), that if \$550 in credit card expenses were discharged, this figure would climb to \$1,475 per month. The debtors amended their documents, showing a substantial increase in expenses, e.g., \$900 per month for food. Finding these numbers were "inflated," Judge Riblet allowed the debtors to convert to a chapter 13 bankruptcy.

\$8,312.50 for violations of FRBP 9011 and 9020. Ms. Rawal was responsible for filing at least 12 bankruptcies in Orange County. She also made numerous false statements in her current bankruptcy documents and during examinations under oath. The Orange County District Attorney's Office is currently prosecuting her for identity theft.

⇒ Marilyn Sorensen, Bankruptcy Analyst, acting on a tip from one of our panel trustees, was able to identify the central figure in a fractionalized interest scheme that involved using false names and social security numbers. **Frank Martinez** apparently used "straw" debtors to file fraudulent bankruptcies in order to delay foreclosure proceedings in Santa Ana. Martinez charged each homeowner a fee of \$1,500 for his services. None of these bankruptcies were filed for a legitimate purpose. All of the debtors' social security numbers listed on their petitions were fraudulent. As a result of Ms. Sorensen's investigation, the Court granted the U.S. Trustee's motion pursuant to 11 U.S.C. § 105 seeking sanctions in the amount of \$6,086.25.

⇒ In 1999, the U.S. Trustee successfully brought a sanctions motion against **Robert Parrish** in connection with his conduct in the Bernard Gross matter. Parrish subsequently failed to appear before the bankruptcy court or pay these sanctions. The Bankruptcy Court held Parrish in civil contempt and submitted an order to the District Court directing the U.S. Marshal Service to arrest Parrish; however, Parrish had closed down his offices and could not be located. The U.S. Trustee learned of Parrish's whereabouts and coordinated with the U.S. Marshal Service to enforce the District Court order and, on January 24, 2001, the Marshals arrested Parrish. After the Marshals discovered two felony warrants for his arrest, one for burglary and the other on forgery charges, Judge Ryan released Parrish back to the Marshals Service to face the felony counts before he heard the charges related to bankruptcy.

#### OTHER CIVIL ENFORCEMENT ACTIONS

⇒ The Court dismissed, with prejudice, **Meena Rawal's** bankruptcy case and sanctioned her

## Worthy Websites for Fraud Watchers

### The Social Security Administration

[www.ssa.gov/foia/highgroup.htm](http://www.ssa.gov/foia/highgroup.htm)

Lists sequences of Social Security numbers issued in each state.

[www.ssa.gov/foia/stateweb.html](http://www.ssa.gov/foia/stateweb.html)

Lists the most recent sequence of Social Security numbers issued by the Social Security Administration.

### The State Bar of California

<http://www.calbar.org>

Information and disciplinary records of attorneys admitted to practice in California are included in this website.

## UST Community Outreach and Education Programs

On February 7, 2001, several volunteers of the OUST participated in the 10<sup>th</sup> Annual Consumer Information Fair, sponsored by The County of Los Angeles, Department of Consumer Affairs. The Information Fair was held at Evans Community Adult School. The OUST was one of thirty-four consumer agencies participating in the fair.

This program consisted of exhibits and speakers that visited individual classrooms. School administrators, teachers, and students had an excellent opportunity to learn about available consumer services and were also equipped with considerable information to avoid becoming victims of consumer fraud.

## PETITION PREPARER NEWS

⇒ Seventeen motions under 11 U.S.C. § 110 were filed in Los Angeles during March 2001

bringing the total number of such motions filed in the first quarter of 2001 to 43. For calendar year 2000, 259 motions under § 110 were filed resulting in \$76,501 in fines and \$39,361 in the disgorgement of fees. In addition, petition preparers agreed to 14 voluntary injunctions, limiting their conduct before the U.S. Bankruptcy Court.

⇒ **Annette C. Jaramillo** was ordered to disgorge a total \$120 in two separate cases based upon U.S. Trustee motions under 11 U.S.C. § 110. Jaramillo failed to comply with either order and the Court permanently enjoined her from acting as a petition preparer and imposed a \$500 sanction payable to the U.S. Trustee as well as a fine of \$500.

⇒ **Walter Lopez**, 45, from Moreno Valley, faces imprisonment of 12 months and one day, probation of three years, and a fine of \$3,000 after sentencing by Judge George H. King on March 26, 2001 for engaging in a scheme to defraud. U.S. Bankruptcy Court Judge Mitchel R. Goldberg had permanently enjoined Lopez from preparing and filing bankruptcy documents until he had paid \$2,500 in sanctions. Lopez, doing business as **Waltham Enterprises**, continued to prepare these documents while fraudulently representing that his ex-wife was the petition preparer and signing his ex-wife's name without her knowledge or consent.

⇒ On August 14, 2000, the U.S. Trustee obtained an order requiring **Adriana Medrano**, petition preparer, and **Inter-Accion Professional**, to disgorge \$1,200 to debtors Jorge and Georgina Aceves and to pay a sanction of \$1,000. Ms. Medrano failed to comply with the terms of a Disgorgement and Fining Order issued on August 15, 2000.

⇒ The United States Trustee sought disgorgement of compensation, fines, and sanctions from **Pedro Palma**, petition preparer, because he failed to disclose his actual charges to debtors. The Court ordered the disgorgement of \$600 to the debtors in the case of Leticia Flores

(the actual fee was \$700), fined Mr. Palma \$1,000, and ordered Mr. Palma to pay the U.S. Trustee \$500. The Court also ordered Mr. Palma to turn over all original documents received from the debtors after they complained he was refusing to return these materials.

⇒ In the Humberto and Maria Brito case, the Court ordered petition preparer, **Ismael Parra**, to disgorge \$100 to the debtors. Subsequently, the U.S. Trustee sought a contempt and sanction order under 11 U.S.C. § 110 after the preparer failed to obey the court's order. On March 26, 2001, the court permanently enjoined Ismael Parra from acting as a petition preparer and imposed a \$500 sanction and a \$500 fine.

## Trustee Highlight

This marks the debut of a column which will spotlight one member from our panel of chapter 7 & 13 trustees in Region 16. The various men and women who serve this district have divergent backgrounds and views. The geographical size of Region 16, volume of cases, and number of trustees hinders personally getting to know the people that administer chapter 7 & 13 cases. In each issue, "The Watchdog" will profile another panel member.

### **Profile of Peter Anderson**

by Wendy Carole Sadovnick

It's a rare individual who knows he's headed toward a career as a trustee! Peter Anderson decided his career path in law school under the tutelage of Scott Bovitz, Esq. at Loyola Law School. Professor Bovitz, a great, kind, teacher according to Peter, was Peter's motivating force. The professor brought bankruptcy law and its intricate components alive for him. Peter found himself at Loyola due in large part to the persuasiveness of his parents. His undergraduate background at U.S.C. focused on finance and economics culminating in a degree in 1978. As a dedicated student, Peter consistently made

Dean's list as an undergrad and continued to do so in law school.

Peter discovered that bankruptcy was the perfect marriage of his collegial interests: financial transactions and macroeconomics melded with his studies of commercial law and bankruptcy. After graduating from Loyola in 1982, Peter's first job was with the U.S. Small Business Administration. Working in this environment gave Peter first-hand knowledge of the business world. Thereafter, Peter transferred to the FDIC and began closing banks. When the commute to Orange County became too burdensome for the newlywed, he focused on finding a position within the bankruptcy community. Peter jumped at the opportunity to work as an attorney at the Office of the U.S. Trustee. The program at the Los Angeles office was still in its pilot stages, which meant a permanent position was questionable. With encouragement from FDIC colleague Helen Frazer (now trustee Helen Frazer), Peter made his move in the fall of 1985 and never looked back.

Peter was a most enthusiastic and competent advocate for our office. Peter and I had the opportunity to convince United States Attorney Robert Bonner to commit resources for the prosecution of the TATCO cases. Ironically, a newly-arrived AUSA by the name of Maureen Tighe successfully undertook this project (one of the largest fraud cases in our Region) which resulted in the conviction and imprisonment for the company's principal, Sherman Mazur.

After a stint in private practice beginning in 1988, Peter reached his long-term goal by taking the position of panel trustee for Los Angeles in 1992. One of Peter's more memorable cases involved a chapter 7 debtor who was an attorney. After the debtor claimed his Cessna had no equity, Peter obtained FAA records. The creditor who allegedly placed the lien on the plane denied having such an encumbrance. AUSA Angela Davis successfully handled the criminal trial, and Peter testified as an expert witness. Peter then was able to sell the Cessna for the benefit of creditors.

Because of the variety of cases and their expeditious flow through the legal system, bankruptcy law continues to hold Peter's interest. When asked for one improvement, he suggested the Court should do away with automatic conversion provisions that allow a debtor to convert from wherever to anywhere.

Peter's utmost priority is his family. He considers his wife and two children his greatest assets. His children attend the same parish school he did as a child. Peter currently participates in fund-raising activities for the school's renovation project and his son's cub scout troop. Moreover, at home, Peter is the hands-on cook and shares household chores with his wife (who also works full time). Although he is not a stranger to long hours, and often stays in his office until 9 p.m., work does not usually travel home with him. That's because, for Peter, home is where he can relax and rejuvenate with his beloved family.

## FINANCIAL PLANNING HELP FOR DEBTORS

The Consumer Credit Counseling Service of Los Angeles offers FREE one-on-one or group counseling. Information on financial planning, housing, and debt management is available at no or very little cost, depending on ability to pay. In person, telephone, and internet services are available.

→ **Call: 1-800-750-2227**  
for in-person or telephone appointments.

→ **Use the CCCS's website:** [www.cccsla.org](http://www.cccsla.org)  
for counseling over the internet.

### **"Dear Sherlock:"** **(A column for fraud fighters seeking advice)**

The new bankruptcy legislation appears to be changing a lot in the Bankruptcy Code. Will it

affect how we refer and  
prosecute bankruptcy crimes?

Sincerely,  
Confused  
Congress Watcher



Dear Confused Congress Watcher:

While the criminal code as it relates to bankruptcy crimes remains untouched by the new legislation, changes in the Bankruptcy Code will have some influence on how dishonest individuals might try to circumvent the new legal requirements. For example, there are stricter requirements for who can file Chapter 7 instead of Chapter 13. This provides an additional motive to make false statements about one's income or assets in order to avoid coming under the new "means test." Debtors will also be required to certify that they received credit counseling before they filed bankruptcy and that they attended a financial education course after filing. This could lead to attempts at false certifications either by the debtor or the service provider. Unfortunately, new requirements for debtors could lead to unscrupulous businesses cheating unsophisticated debtors by secretly charging too much or misrepresenting the new legal requirements. As with any new statutory scheme, we will have to be vigilant in policing and referring criminal acts designed to avoid or exploit the new laws.

Signed,

**Sherlock**

Please e-mail your inquiries regarding fraud and abuse issues to Sherlock, c/o:  
[www.Maureen.Tighe3@usdoj.gov](mailto:www.Maureen.Tighe3@usdoj.gov).